

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Rose Lake Township	County Osceola
Audit Date 3/31/06	Opinion Date 6/15/06	Date Accountant Report Submitted to State July 24, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 		Date 7/27/06	

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

MARCH 31, 2006

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MARCH 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

June 15, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Rose Lake Township
Osceola County
LeRoy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rose Lake Township, Osceola County, LeRoy, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rose Lake Township, Osceola County, LeRoy, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on pages 21 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rose Lake Township, Osceola County, LeRoy, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Rose Lake Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Rose Lake Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$318,245. Of this amount, \$176,458 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$219,818. An increase of \$4,416 from the prior year.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Rose Lake Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$318,245 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

Rose Lake Township
Net Assets as of March 31, 2006

	Governmental Activities
Assets	
Current Assets	\$ 233,844
Non Current Assets	
Capital Assets	113,651
Less: Accumulated Depreciation	15,224
Total Non Current Assets	98,427
Total Assets	\$ 332,271
Liabilities	
Current Liabilities	\$ 14,026
Net Assets	
Invested in Capital Assets	98,427
Restricted for Specific Purposes	43,360
Unrestricted	176,458
Total Net Assets	318,245
Total Liabilities and Net Assets	\$ 332,271

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$176,458 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Rose Lake Township
Change in Net Assets
For Fiscal Year Ended March 31, 2006

	<u>Governmental</u> <u>Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 17,076
Operating Grants and Contributions	33,976
Capital Grants and Contributions	8,321
General Revenues	
Taxes	124,006
State Grants	84,437
Interest Earnings	4,309
Other	<u>474</u>
Total Revenues	<u>272,599</u>
<u>Expenses</u>	
Legislative	14,212
General Government	81,978
Public Safety	95,155
Public Works	13,703
Recreation and Culture	17,140
Other Functions	<u>10,429</u>
Total Expenses	<u>232,617</u>
Change in Net Assets	39,982
NET ASSETS - Beginning of Year	<u>278,263</u>
NET ASSETS - End of Year	<u><u>\$ 318,245</u></u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$39,982 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Rose Lake Township comes from property taxes. The Township levied 0.8531 mills for operating purposes, and 2.2000 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by Public Safety expenses that total \$95,155. General Government represented the next largest expense at \$81,978 of total expenses. Depreciation expense added another \$3,784.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Rose Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Rose Lake Township's governmental funds reported combined ending fund balances of \$219,818. Of this total amount \$176,458 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvement must be used for expenditures that relate to road improvement.

General Fund – The General Fund increased its fund balance by \$2,933 which brings the fund balance to \$176,458. The General Fund's fund balance is unreserved. Property taxes amounted to \$37,782. State grants were collected in the amount of \$92,758.

Fire Fund – The Fire Fund's fund balance did not change. This balance is reserved and must be used for fire protection.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The Township levied a fire millage on the 2005 tax roll. This resulted in \$86,224 in tax related revenues during the current fiscal year.

Cemetery Fund – The Cemetery Fund decreased its fund balance by \$912 which brings its fund balance to \$6,235. This balance is reserved for cemetery improvements and cemetery perpetual care.

Rose Lake Improvement Fund – The Rose Lake Improvement Fund increased its fund balance by \$5,309 which brings the fund balance to \$27,666. This balance is reserved for lake improvement.

McCoy Lake Road Improvement Fund – The McCoy Lake Road Improvement Fund decreased its fund balance by \$217. This balance is reserved for road improvement.

South Hogback Lake Road Improvement Fund – The South Hogback Lake Road Improvement Fund decreased its fund balance by \$4,411 which brings its fund balance to \$6,693. This balance is reserved for road improvement.

North Hogback Lake Road Improvement Fund – The North Hogback Lake Road Improvement Fund increased its fund balance by \$1,714. This balance is reserved for road improvement.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$98,427 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Rose Lake Township
Capital Assets as of March 31, 2006

	Governmental Activities
Land and Land Improvements	\$ 17,937
Building Improvements	41,220
Equipment	11,366
Public Domain Infrastructure	43,128
	<hr/> 113,651
Less Accumulated Depreciation	<hr/> 15,224
Net Capital Assets	<hr/> <hr/> \$ 98,427

Major capital asset events during the current fiscal year included the following:

- ◆ Purchased gravel at a cost of \$34,350 for 16 Mile Road (130th – 140th Avenue) 130th Avenue (15 – 16 Mile Road), and 150th Avenue (15 – 16 Mile Road).
- ◆ Received a voting machine through a state grant with a cost of \$5,000.

Long-Term Debt. Rose Lake Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Rose Lake Township at 4949 W. 16 Mile Road, LeRoy, Michigan 49655.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 190,667
Receivables:	
Taxes	13,702
Special Assessments	2,847
Due from Other Governments	20,275
External Parties (Fiduciary Fund)	6,353
	<hr/>
Total Current Assets	233,844
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	7,632
Land Improvements	10,305
Building Improvements	41,220
Equipment	11,366
Public Domain Infrastructure	43,128
	<hr/>
	113,651
Less Accumulated Depreciation	15,224
	<hr/>
Net Capital Assets	98,427
	<hr/>
TOTAL ASSETS	332,271
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	4,143
Due to Other Governments	9,883
	<hr/>
Total Current Liabilities	14,026
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	98,427
Restricted for:	
Cemetery	6,035
Cemetery Perpetual Care	200
Fire Protection	100
Lake Improvement	27,666
Road Improvement	9,359
Unrestricted	176,458
	<hr/>
TOTAL NET ASSETS	\$ 318,245
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 14,212	\$ 0	\$ 0	\$ 0	\$ (14,212)
General Government	81,978	11,968	3,750	5,000	(61,260)
Public Safety	95,155	5,108	0	0	(90,047)
Public Works	13,703	0	10,300	3,321	(82)
Recreation and Cultural	17,140	0	19,926	0	2,786
Other Functions	10,429	0	0	0	(10,429)
Total Governmental Activities	\$ 232,617	\$ 17,076	\$ 33,976	\$ 8,321	(173,244)
<u>GENERAL REVENUES</u>					
Taxes					124,006
State Grants					84,437
Interest Earnings					4,309
Other					474
Total General Revenues					213,226
Change in Net Assets					39,982
<u>NET ASSETS</u> - Beginning of Year					278,263
<u>NET ASSETS</u> - End of Year					\$ 318,245

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	FIRE FUND	CEMETERY FUND
<u>ASSETS</u>			
Cash	\$ 142,045	\$ 109	\$ 6,235
Taxes Receivable	3,828	9,874	0
Special Assessment Receivable	0	0	0
Due from Other Governments	20,275	0	0
Due from Other Funds	14,453	0	0
Total Assets	\$ 180,601	\$ 9,983	\$ 6,235
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,143	\$ 0	\$ 0
Due to Other Governments	0	9,883	0
Due to Other Funds	0	0	0
Total Liabilities	4,143	9,883	0
<u>FUND BALANCE</u>			
Reserved for:			
Cemetery	0	0	6,035
Cemetery Perpetual Care	0	0	200
Fire Protection	0	100	0
Lake Improvement	0	0	0
Road Improvement	0	0	0
Unreserved			
Undesignated	176,458	0	0
Total Fund Balance	176,458	100	6,235
TOTAL LIABILITIES AND FUND BALANCE	\$ 180,601	\$ 9,983	\$ 6,235

The accompanying notes are an integral part of the financial statements.

ROSE LAKE IMPROVEMENT FUND	MCCOY LAKE ROAD IMPROVEMENT FUND	SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	NORTH HOGBACK LAKE ROAD IMPROVEMENT FUND	TOTALS
\$ 27,294	\$ 802	\$ 4,793	\$ 9,389	\$ 190,667
0	0	0	0	13,702
372	150	1,900	425	2,847
0	0	0	0	20,275
0	0	0	0	14,453
\$ 27,666	\$ 952	\$ 6,693	\$ 9,814	\$ 241,944

\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,143
0	0	0	0	9,883
0	0	0	8,100	8,100
0	0	0	8,100	22,126

0	0	0	0	6,035
0	0	0	0	200
0	0	0	0	100
27,666	0	0	0	27,666
0	952	6,693	1,714	9,359
0	0	0	0	176,458
27,666	952	6,693	1,714	219,818
\$ 27,666	\$ 952	\$ 6,693	\$ 9,814	\$ 241,944

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 219,818
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 7,632	
Land Improvements	10,305	
Building Improvements	41,220	
Equipment	11,366	
Public Domain Infrastructure	43,128	
Accumulated Depreciation	(15,224)	98,427

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 318,245</u>
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The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	CEMETERY FUND
<u>REVENUES</u>			
Taxes	\$ 37,782	\$ 86,224	\$ 0
Licenses and Permits	5,108	0	0
State Grants	92,758	0	0
Contributions from Local Units	0	0	3,750
Charges for Services	6,638	2,755	2,250
Interest and Rents	4,476	40	11
Other Revenues	474	0	0
Total Revenues	147,236	89,019	6,011
<u>EXPENDITURES</u>			
Legislative	14,212	0	0
General Government	75,426	0	8,173
Public Safety	6,136	89,019	0
Public Works	34,350	0	0
Recreation and Culture	2,500	0	0
Other Functions	10,429	0	0
Total Expenditures	143,053	89,019	8,173
Excess (Deficiency) of Revenues Over Expenditures	4,183	0	(2,162)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In	0	0	1,250
Transfer Out	(1,250)	0	0
Total Other Financing Sources (Uses)	(1,250)	0	1,250
Net Change in Fund Balance	2,933	0	(912)
<u>FUND BALANCE</u> - Beginning of Year	173,525	100	7,147
<u>FUND BALANCE</u> - End of Year	\$ 176,458	\$ 100	\$ 6,235

The accompanying notes are an integral part of the financial statements.

ROSE LAKE IMPROVEMENT FUND	MCCOY LAKE ROAD IMPROVEMENT FUND	SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	NORTH HOGBACK LAKE ROAD IMPROVEMENT FUND	TOTALS
\$ 0	\$ 0	\$ 0	\$ 0	\$ 124,006
0	0	0	0	5,108
0	0	0	0	92,758
0	0	0	0	3,750
0	0	0	0	11,643
23	7	72	5	4,634
19,926	900	7,600	1,800	30,700
19,949	907	7,672	1,805	272,599
0	0	0	0	14,212
0	0	0	0	83,599
0	0	0	0	95,155
0	1,124	12,083	91	47,648
14,640	0	0	0	17,140
0	0	0	0	10,429
14,640	1,124	12,083	91	268,183
5,309	(217)	(4,411)	1,714	4,416
0	0	0	0	1,250
0	0	0	0	(1,250)
0	0	0	0	0
5,309	(217)	(4,411)	1,714	4,416
22,357	1,169	11,104	0	215,402
\$ 27,666	\$ 952	\$ 6,693	\$ 1,714	\$ 219,818

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA TOWNSHIP
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 4,416
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(3,784)
Capital Outlay	<u>39,350</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 39,982</u></u>

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 6,353
	<hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 6,353
	<hr/>

The accompanying notes are an integral part of the financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rose Lake Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by accounting generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Rose Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The *Cemetery Fund* accounts for revenue sources that are legally restricted to expenditures for cemetery improvements. Included in the Cemetery Fund money market account is \$200 which was donated to the Township for cemetery perpetual care. The interest on this amount is to be used for cemetery upkeep. The \$200 is not available to meet expenses.

The *Rose Lake Improvement Fund* is a special assessment district established for the purpose of improving Rose Lake. This fund is used to account for all of the revenues and expenditures relating to Rose Lake.

The *McCoy Lake Road Improvement Fund* is a special assessment district established in 2000 for a period of five years. This fund will assess property owners on certain roads around McCoy Lake to pay for improvements to those roads.

The *South Hogback Lake Road Improvement Fund* is a special assessment district established in 2001 for a period of five years. This fund will assess property owners on certain roads around South Hogback Lake to pay for improvements to those roads.

The *North Hogback Lake Road Improvement Fund* is a special assessment district established in 2005 for a period of five years. This fund will assess property owners on certain roads around North Hogback Lake to pay for improvements to those roads.

Additionally, Rose Lake Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The Investment Policy adopted by the Township states that the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Rose Lake Township Board of at the Board's organizational meeting after each regular election of board members.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a new asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Rose Lake Township totaled \$40,705,581, on which ad valorem taxes levied consisted of 0.8531 mills for Rose Lake Township operating purposes and 2.2000 mills for fire protection (only assessed on real property). The levy raised approximately \$34,754 for operating purposes and \$86,395 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20
Land Improvements	20
Public Domain Infrastructure	50
Vehicles	10
Equipment and Furniture	5-10

Rose Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 1, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Special Revenue Funds		
South Hogback Lake Road Improvement Fund		
Public Works		
Highways, Streets, Bridges	\$ 11,151	\$ 12,083

These overages were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank in Leroy, Michigan, and Lake – Osceola State Bank in Tustin, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$14,694 of the government's bank balance of \$195,560 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are presented on the statement of net assets.

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increase	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 7,632	\$ 0	\$ 0	\$ 7,632
Capital assets, being depreciated				
Building Improvements	41,220	0	0	41,220
Land Improvements	10,305	0	0	10,305
Equipment	6,366	5,000	0	11,366
Public Domain Infrastructure	8,778	34,350	0	43,128
Total capital assets, being depreciated	66,669	39,350	0	106,019
Less accumulated depreciation for:				
Building Improvements	6,350	2,061	0	8,411
Land Improvements	1,916	515	0	2,431
Equipment	3,130	803	0	3,933
Public Domain Infrastructure	44	405	0	449
Total accumulated depreciation	11,440	3,784	0	15,224
Total capital assets, being depreciated, net	55,229	35,566	0	90,795
Governmental activities capital assets, net	\$ 62,861	\$ 35,566	\$ 0	\$ 98,427

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 3,379
Public Works	<u>405</u>
	<u>\$ 3,784</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 14,453	\$ 0
Special Revenue Funds		
North Hogback Lake Road Improvement Fund	0	8,100
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>6,353</u>
	<u>\$ 14,453</u>	<u>\$ 14,453</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2006 were:

<u>Primary Government</u>	IN	TRANSFERS OUT
General Fund	\$ 0	\$ 1,250
Cemetery Fund	<u>1,250</u>	<u>0</u>
	<u>\$ 1,250</u>	<u>\$ 1,250</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Fire Fund

Fire Protection	\$ 100
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Cemetery Fund

Cemetery	6,035
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Cemetery Perpetual Care	200
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Rose Lake Improvement Fund

Lake Improvement	27,666
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McCoy Lake Road Improvement Fund

Road Improvement	952
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South Hogback Lake Road Improvement Fund

Road Improvement	6,693
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North Hogback Lake Road Improvement Fund

Road Improvement	1,714
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Total Fund Balance/Net Assets	<u>\$ 43,360</u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Joint Fire District

The Township is a member of the Leroy-Rose Lake Fire District. The Fire District is a joint venture of Leroy Township, Rose Lake Township and the Village of Leroy created to provide fire protection for the member units. Rose Lake Township levies 2.2000 mills to support the Fire District. The following financial information was taken from the Fire District's February 29, 2004 audited financial statements:

Total Assets	\$ 769,095
Investment in Fixed Assets	624,460
Fund Balance – Unreserved	144,635
Total Receipts	188,495
Total Disbursements	94,476
Net Increase (Decrease) in Balance	50,616

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

BLOOMFIELD TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			FIRE FUND			CEMETERY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 36,197	\$ 36,197	\$ 37,782	\$ 97,046	\$ 97,046	\$ 86,224	\$ 0	\$ 0	\$ 0
Licenses and Permits	6,500	6,500	5,108	0	0	0	0	0	0
State Grants	78,300	78,300	92,758	0	0	0			0
Contributions from Local Units	0	0	0	0	0	0	6,250	6,250	3,750
Charges for Services	5,725	5,725	6,638	5,000	5,000	2,755	6,500	6,500	2,250
Interest and Rents	5,000	5,000	4,476	50	50	40	100	100	11
Other Revenues	7,500	7,500	474	0	0	0	0	0	0
Total Revenues	139,222	139,222	147,236	102,096	102,096	89,019	12,850	12,850	6,011
<u>EXPENDITURES</u>									
Legislative									
Township Board	21,000	21,000	14,212	0	0	0	0	0	0
General Government									
Supervisor	10,000	10,000	9,991	0	0	0	0	0	0
Election	3,000	3,000	5,725	0	0	0	0	0	0
Assessor	25,000	25,000	19,469	0	0	0	0	0	0
Clerk	15,500	15,500	12,832	0	0	0	0	0	0
Board of Review	3,500	3,500	75	0	0	0	0	0	0
Treasurer	23,000	23,000	22,368	0	0	0	0	0	0
Building and Grounds	4,000	4,000	2,280	0	0	0	0	0	0
Cemetery	8,250	8,250	2,686	0	0	0	18,700	18,700	8,173
Public Safety									
Fire Protection	0	0	0	102,096	102,096	89,019	0	0	0
Building Inspection	7,500	7,500	6,136	0	0	0	0	0	0
Public Works									
Highways, Streets, Bridges	35,000	35,000	34,350	0	0	0	0	0	0
Recreation and Cultural									
Parks and Recreation	2,500	2,500	2,500	0	0	0	0	0	0
Lake Improvement	0	0	0	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	14,000	14,000	5,089	0	0	0	0	0	0
Employee Benefits	7,200	7,200	5,340	0	0	0	0	0	0
Contingency	100,000	100,000	0	0	0	0	0	0	0
Total Expenditures	279,450	279,450	143,053	102,096	102,096	89,019	18,700	18,700	8,173
Excess (Deficiency) of Revenues Over Expenditures	(140,228)	(140,228)	4,183	0	0	0	(5,850)	(5,850)	(2,162)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfer In	0	0	0	0	0	0	1,250	1,250	1,250
Transfer Out	(1,250)	(1,250)	(1,250)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(1,250)	(1,250)	(1,250)	0	0	0	1,250	1,250	1,250
Net Change in Fund Balance	(141,478)	(141,478)	2,933	0	0	0	(4,600)	(4,600)	(912)
<u>FUND BALANCE</u> - Beginning of Year	164,129	164,129	173,525	106	106	100	4,646	4,646	7,147
<u>FUND BALANCE</u> - End of Year	\$ 22,651	\$ 22,651	\$ 176,458	\$ 106	\$ 106	\$ 100	\$ 46	\$ 46	\$ 6,235

[illegible]

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006
	<hr/>			
	<u>ASSETS</u>			
Cash	\$ 6,123	\$ 1,375,482	\$ 1,375,252	\$ 6,353
	<hr/>			
	<u>LIABILITIES</u>			
Due to Other Funds	6,123	156,973	156,743	6,353
Due to Other Organizations and Individuals	0	5,010	5,010	0
Due to Other Governments	0	1,211,221	1,211,221	0
	<hr/>			
Total Liabilities	\$ 6,123	\$ 1,373,204	\$ 1,372,974	\$ 6,353
	<hr/>			

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	374,251	
County - State Education Tax		244,037	
Township			
Operating		34,754	
Fire		86,395	
Special Assessments		30,226	
Schools			
Pine River Area Schools		484,164	
Marion Public Schools		223	
Intermediate School			
Wexford-Missaukee		<u>242,926</u>	\$ 1,496,976

TAXES COLLECTED

County	\$	335,666	
County - State Education Tax		226,717	
Township			
Operating		30,851	
Fire		76,350	
Special Assessments		27,379	
Schools			
Pine River Area Schools		437,229	
Marion Public Schools		223	
Intermediate School			
Wexford-Missaukee		<u>215,438</u>	<u>1,349,853</u>

TAXES RETURNED DELINQUENT

County	\$	38,585	
County - State Education Tax		17,320	
Township			
Operating		3,903	
Fire		10,045	
Special Assessments		2,847	
Schools			
Pine River Area Schools		46,935	
Marion Public Schools		0	
Intermediate School			
Wexford-Missaukee		<u>27,488</u>	<u>\$ 147,123</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 15, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Rose Lake Township
Osceola County
LeRoy, Michigan

During the course of our audit of the financial statements of Rose Lake Township for the year ended March 31, 2006, we noted the following items:

GASB 34

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Rose Lake Township, these changes were first reported in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that report financial information on a Township-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Internal Control

While we observed that bills are approved for payment by the Township Board, we did not observe evidence of approval for payment on the bills/invoices (source documents) themselves. We suggest that as a method of strengthening internal control, the Township consider having a board member such as Supervisor or Trustee sign or initial the source document as "approved" at the time the approval is made.

Another suggestion for strengthening internal control which we recommend is for all checks written from all funds, except the Tax Collection Fund, to require two signatures, and those invoices also go before the board for approval.

Mileage Reimbursement

The Township has a policy of reimbursing eligible miles at the current IRS rate. However, after January 1, 2006, the IRS lowered its standard mileage rate from 48.5 cents per mile to 44.5 cents per mile and the Township continued to reimburse at the higher rate. The Township should either receive a refund for the overpayment, or include the excess paid as additional compensation to the people who received the excess.

Payment to Support Local Organizations

The State law does not allow governmental entities to donate public funds. The Township should formalize its relationship in a written contract with the organization it hires to maintain ball fields for use by Township residents. Our understanding is that this has always been a fee for service arrangement, but never in writing, just verbal.

Budgeting

The budget was exceeded for election activities in the General Fund and highways, streets, bridges activity in South Hogback Lake Road Improvement Fund. One of the items resulted from not amending the budget to include revenue and expense for a state grant that the Township received to purchase election machines. Act 621 of the Public Acts of 1978 requires amending the budget prior to authorizing expenditures that would cause such overages.

We would like to thank the board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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1902 - 1990

JACK H. BAIRD, C.P.A.

JERRY L. COTTER, C.P.A.

DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.

ROBERT V. BEATTIE, C.P.A.

DOUGLAS P. McMULLEN, C.P.A.

JOHN F. TAYLOR, C.P.A.

STEVEN C. ARENDS, C.P.A.

SCOTT A. HUNTER, C.P.A.

JONATHAN E. DAMHOF, C.P.A.

MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 15, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Rose Lake Township
Osceola County
LeRoy, Michigan

In planning and performing our audit of the financial statements of Rose Lake Township, Osceola County, LeRoy, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.